# TCFD 101 Training Workshop

## Getting started with climate-related financial reporting

# Welcome & introductions

Anton Zhigalov
Head of Sustainability, Moscow Exchange Group

# Today's Hosts

Fiona Quinlan
Senior Manager
CDSB

Tiffany Grabski
Senior Specialist
UN SSE Initiative

# Agenda for today's session

| Time (MSK) | Content | Speaker |
|---|---|---|
| 9:00-9:10 | Session overview & introductions | Tiffany Grabski, UN SSE<br>Anton Zhigalov, MOEX |
| 9:10-9:25 | 1. Climate risk & opportunity, financial stability and reporting | Fiona Quinlan, CDSB |
| 9:25-9:35 | 2. Global & local reporting landscape | Fiona Quinlan |
| 9:35-9:55 | 3. Overview of the TCFD recommendations | Tiffany Grabski |
| 9:55-10:00 | Break | |
| 10:00-10:15 | 4. Practical steps for implementation | Fiona Quinlan |
| 10:15-10:40 | 5. Reflection exercise | Tiffany Grabski |
| 10:40-10:45 | 6. Support and resources available | Fiona Quinlan |
| 10:45-11:00 | Questions & session closeout | Tiffany Grabski |

# Housekeeping & workshop interaction

## We encourage you to share your questions, views & experiences

- There will be time for Q&A towards the end of the training, but we encourage you to share your questions and comments in the Q&A and chat boxes through the session.
- During the Q&A, please use the raise hand function if you would like to raise a question or comment. Your mic will be unmuted when you are called upon to speak
- We will take a short break halfway through the session.
- All presentation materials will be sent to participants after the event.

# The TCFD Training Programme

## TCFD 101

***Live workshop: Getting started with climate-related financial reporting***

## TCFD 102

***Live workshop: Building experience in climate-related financial reporting***

## TCFD 102E

***Self-guided online learning: Supporting your ongoing TCFD journey***

# Learning objectives for TCFD 101

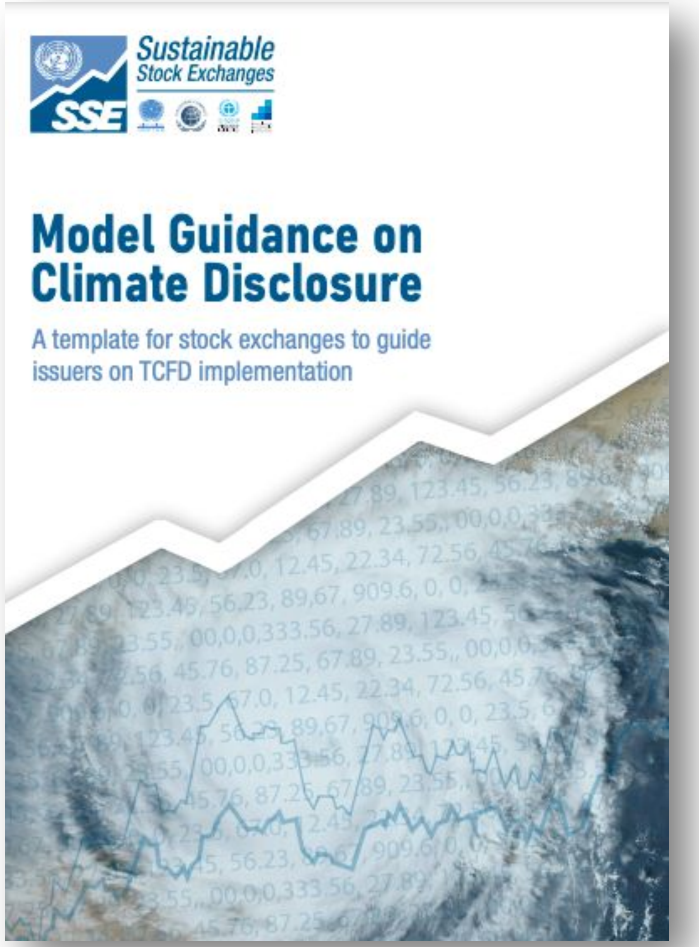
**TCFD 101**

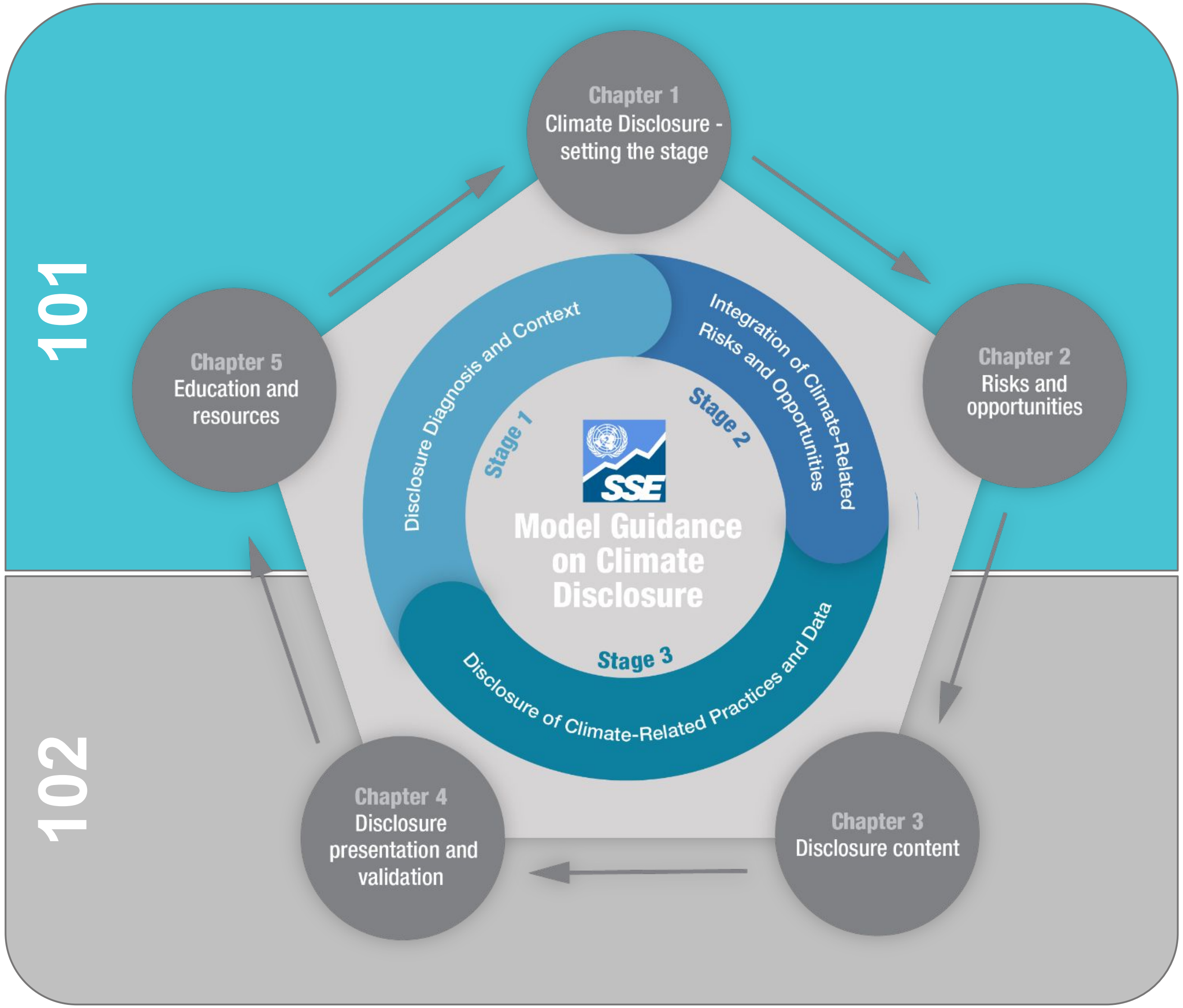
***Live workshop: Getting started with climate-related financial reporting***

***By the end of today's workshop, participants should be able to:***

1. Explain the **financial risks & opportunities** associated with climate change, and the importance of **climate-related financial disclosure.**
2. Understand the **key elements** of climate-related financial disclosure and outline the **characteristics of good practice**.
3. Identify the **initial steps** organisations need to take to **implement** the recommendations of the TCFD.

# SSE Model Guidance - A reference tool



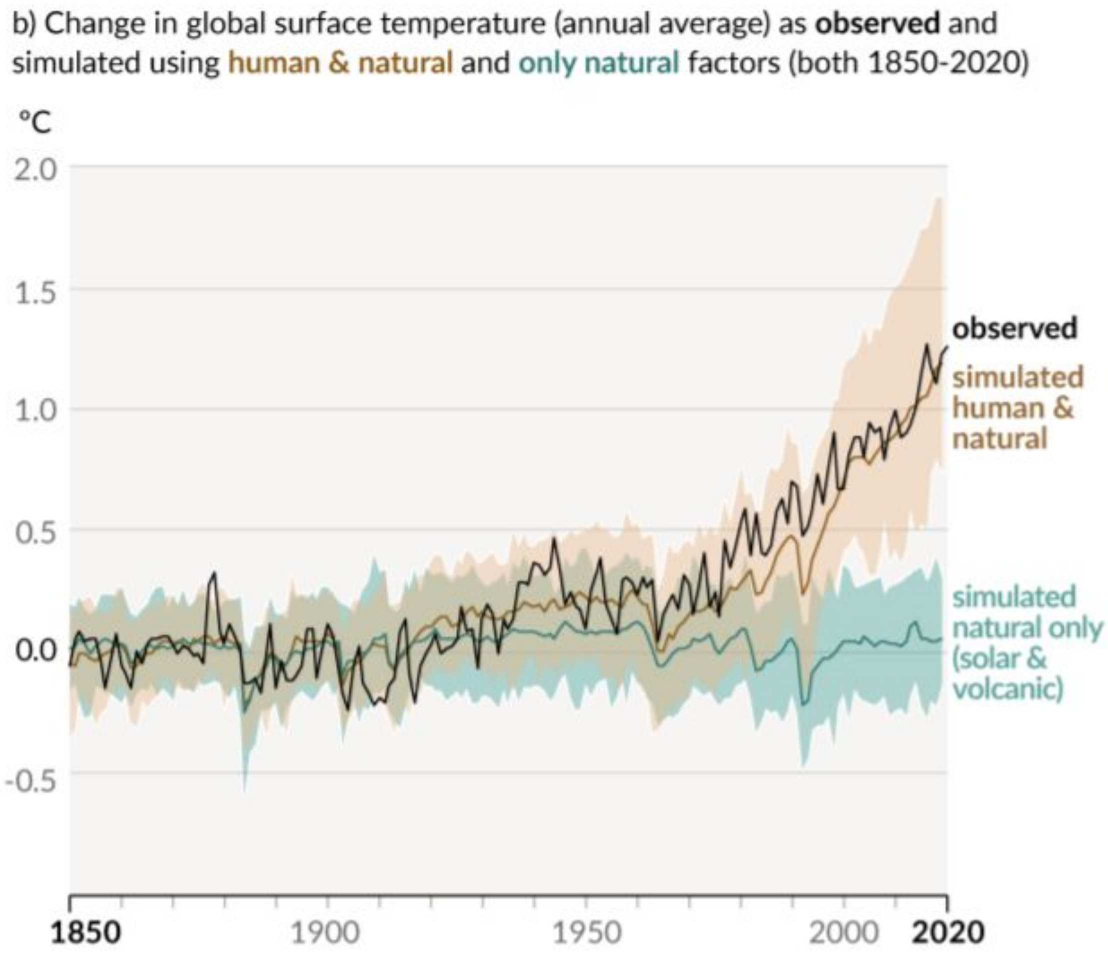



# **Q1:** How would you describe your understanding of the TCFD recommendations?

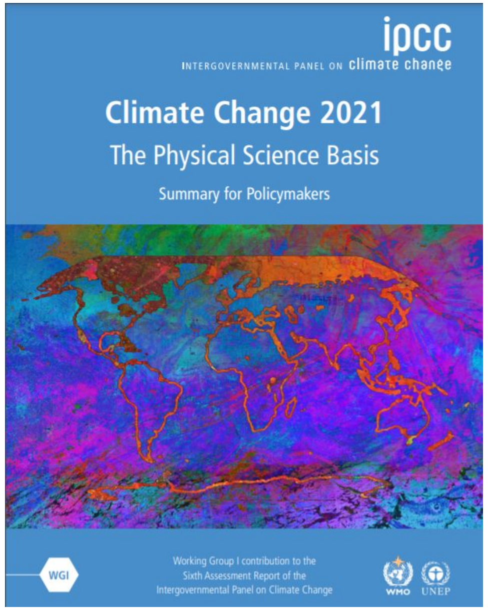
- ❑ I am an expert
- ❑ I am confident, but need to understand some elements
- ❑ I have some knowledge, but need support
- ❑ I have little to no prior knowledge

# Climate risk & opportunity, financial stability and reporting

# The case for urgent climate action




- Human activities have caused 1.1ºC of global warming since pre-industrial times.
- 1.5ºC of warming could be reached by as early as 2030 at the current rate of emissions.



# Societal and business concern is growing

## Brazil's Amazon rainforest suffers worst fires in a decade

- Satellites record 61% rise in hotspots over September 2019
- Scientist warns: 'It could get worse if the drought continues'

Финансы, 02 сен, 17:28 | 7 395 | Поделиться

**ЦБ включил в список рисков таяние вечной мерзлоты и углеродный налог ЕС** Климатические проблемы уже оказывают негативное влияние на российскую экономику

Sustainable Business

## Shell ordered to deepen carbon cuts in landmark Dutch climate case

New York Post

Hurricanes to threaten more than 32 million US homes

The firm said that while hurricane wind damage is "generally insured for ... risk amidst climate change – calculated that at-risk properties have a ...

2 weeks ago

Climate change has pushed a million people in Ma the 'edge of starvation,' UN says

Jun 23, 2021

Climate change is the driving force of a developing food crisis in souther UN's World Food Programme (WFP) has warned. The African island has back-to-back droughts -- its worst in four decades -- which have pushe

Business Economy

Posted at: Jun 23 2021 11:19PM

## One third of India's cotton growing regions face severe climate risks by 2040

# Global and systemic risk

*“Last September, when millions of people took to the streets to demand action on climate change, many of them emphasised the significant and lasting impact that it will have on economic growth and prosperity – a risk that markets to date have been slower to reflect.”*

Larry Fink, CEO BlackRock

**Top Global Risks by Likelihood**

| | 1st | 2nd | 3rd |
|---|---|---|---|
| 2021 | Extreme weather | Climate action failure | Human environmental damage |
| 2020 | Extreme weather | Climate action failure | Natural disasters |
| 2019 | Extreme weather | Climate action failure | Natural disasters |
| 2018 | Extreme weather | Natural disasters | Cyberattacks |

Source: WEF Global Risks Report 2021

# Financial stability & the tragedy of the horizons


*"The **horizon** for monetary policy extends out to 2-3 years. For financial stability it is a bit longer, but typically only to the outer boundaries of the credit cycle – about a decade. In other words, once climate change becomes a defining issue for **financial stability**, it may already be **too late**."*

Mark Carney,
UN Special Envoy on Climate Action & Finance
(Former Chair G20 Financial Stability Board)

# Climate-related risks are financial risks

## With two key risk types: transition and physical risks

**Asset impairment**, changes in the useful life or fair valuation of assets.

**Increased costs** or **reduced demand** for products and services.

Provisions and contingent liabilities arising from **fines and penalties** through more stringent emissions regulations.

Changes in expected **credit losses for loans** and financial assets.

# But there are also climate-related opportunities

**Growth and innovation** through the development of products and services that contribute to climate mitigation and adaptation.

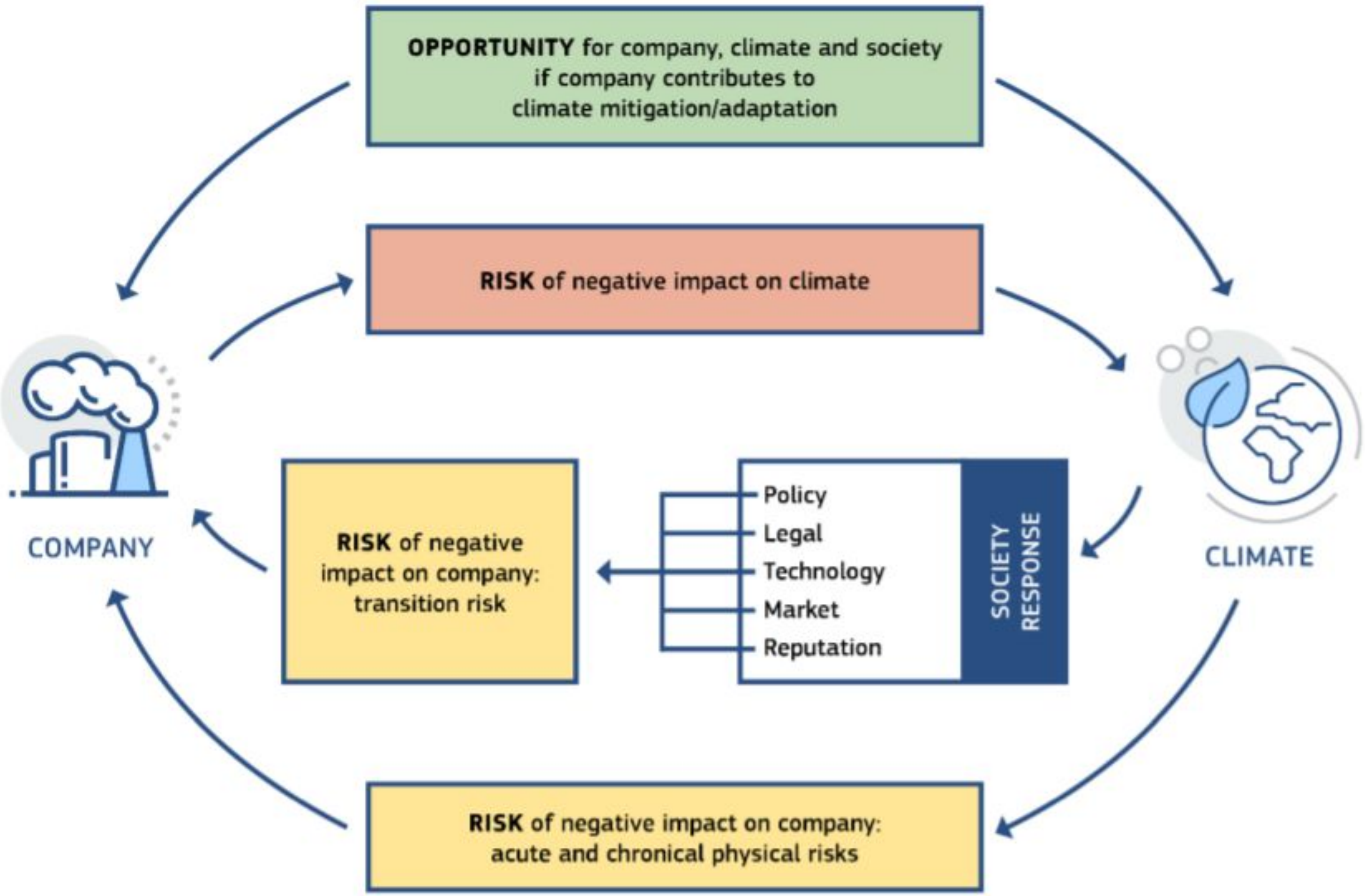
**Reduced costs** through improved energy and resource efficiency.

**Improved reputation** with employees, customers and other stakeholders.

**Improved resilience** to business disruptions.

# Materiality in climate-related financial disclosure

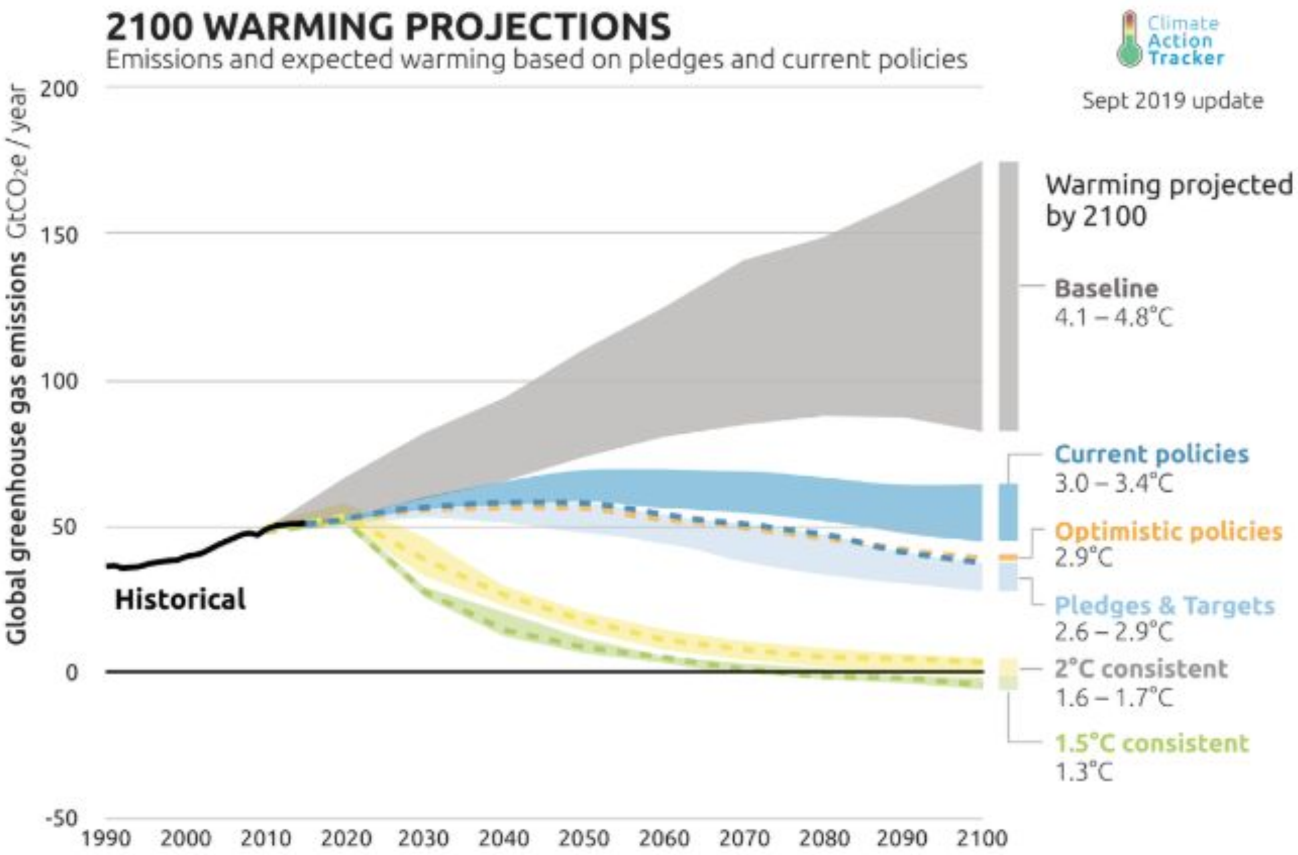
**TCFD perspective**: risks and impacts ON the company




Source: EU Guidelines on reporting climate-related information

# Alignment vs risk

Contribution and alignment to climate targets




The risks to a company due to climate action

Source: Carbon Action Tracker

# How investors use climate-related financial disclosures

- **Mobilising private sector finance** to deliver upon the Paris Agreement.
- **Pricing** climate-related risks into their company valuations.
- **Efficient allocation of capital** towards low carbon and resilient businesses in the long-term.
- Builds upon **established approaches** to wider strategic and financial disclosure to capital markets.

> *"Increasing transparency makes markets more efficient and economies more stable and resilient."*
>
> Michael R. Bloomberg

# The benefits of climate-related financial disclosure for companies

| Internal benefits | External benefits |
|---|---|
| Cost savings through identify opportunities for resource and energy efficiency | Improved access to capital |
| Improved strategic resilience | Improved engagement with investors |
| Identification of potential climate-related financial opportunities | Ensure preparedness for emerging climate regulation |
| Improved robustness of risk management processes | Improved reputation with customers, employees and wider stakeholders |
| Improved communication between board and management on climate issues | Establishing a leadership position among industry peers |

# **Q2:** Which of the following are examples of climate-related financial risks? *(Select all that apply)*

- ❑ Reduced demand for products & services
- ❑ Increased costs due to extreme weather damage
- ❑ Lower costs due to reducing energy consumption
- ❑ Higher rates of taxation due to carbon pricing

# Global & local reporting landscape

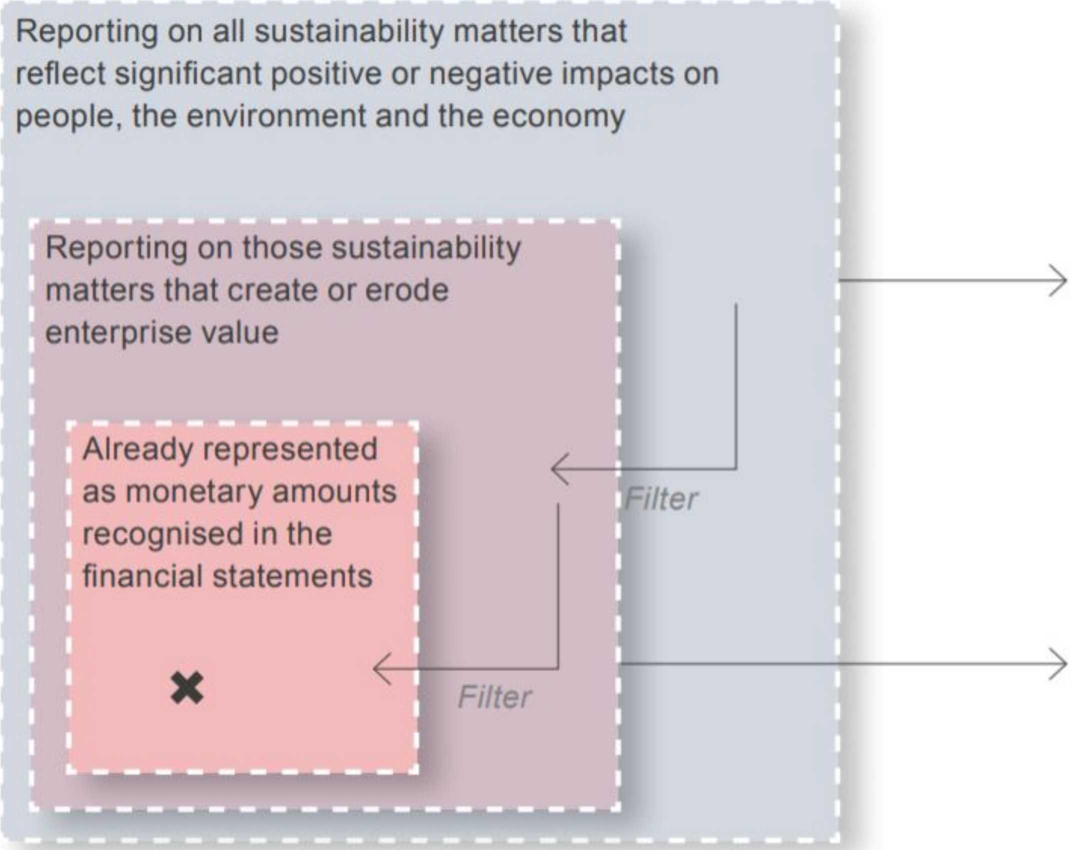
# Global Collaboration amongst sustainability reporting organisations


**Reporting on enterprise value**
Illustrated with a prototype climate-related financial disclosure standard

Progress towards a comprehensive corporate reporting system, from leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB

Facilitated by the Impact Management Project, World Economic Forum and Deloitte

December 2020




To **various users** who want to understand the enterprise's positive and negative contributions to **sustainable development**.

To users with a **specific interest** in understanding **enterprise value**

# **Q3:** Which frameworks and standards do you currently use to report on climate? *(Select all that apply)*

- ❑ CDP questionnaire
- ❑ SASB standards
- ❑ GRI standards
- ❑ Integrated Reporting Framework
- ❑ CDSB Framework
- ❑ Other
- ❑ We don’t currently use any

# International sustainability reporting standards

08 March 2021

## IFRS Foundation Trustees announce strategic direction and further steps based on feedback to sustainability reporting consultation

The Trustees of the IFRS Foundation met 2-4 March 2021 to continue their analysis and discussions of the feedback received to their *Consultation Paper on Sustainability Reporting* (2020 Consultation).

Feedback to the 2020 Consultation confirmed an urgent need for global sustainability reporting standards and support for the Foundation to play a role in their development. The Trustees are therefore continuing their work on the establishment of an international sustainability reporting standards board within the existing governance structure of the IFRS Foundation, as set out in the Trustees' February announcement.

The Trustees welcomed the February 2021 public statement by the IOSCO Board, announcing IOSCO's intention to work with the IFRS Foundation in developing a plan to establish a new board for setting sustainability reporting standards that meet the needs of the capital markets. This will include consideration of future endorsement of the new board and its standards. The Trustees recognise the importance for the public interest of reporting standards that address enterprise value, which captures expected value creation for investors in the short, medium and long term and is interdependent with value creation for society and the environment.

**Related Information**

- Sustainability Reporting project
- IFRS Foundation Trustees

The IFRS Foundation have formed a working group tasked with setting up an International Sustainability Standards Board (ISSB) with the following strategic direction:

- An investor focus on **enterprise value**
- Prioritising **climate** (as part of a broader sustainability scope)
- Build on **existing frameworks** and collaborating with standard-setters in key jurisdictions

# Regional context for Russia

- In July 2021, Bank of Russia advised domestic companies to disclose their **environmental, social and governance agenda** and evaluate related risks.
- Companies recommended to report on their non-financial activities within the **annual report**.
- The recommendations were developed **based on TCFD and GRI**.
- The central bank indicated that the **recommendations may become requirements**, after global ESG disclosure rules are set up.

Банк России
Центральный банк Российской Федерации


Публичным акционерным обществам
от 12.07.2021 № ИН-06-28/49

**Информационное письмо**
**о рекомендациях по раскрытию публичными акционерными обществами нефинансовой информации, связанной с деятельностью таких обществ**

В целях повышения качества раскрытия публичными акционерными обществами нефинансовой информации, связанной с деятельностью таких обществ, Банк России направляет для применения рекомендации по раскрытию публичными акционерными обществами нефинансовой информации, являющиеся приложением к настоящему информационному письму.

Настоящее информационное письмо подлежит опубликованию в "Вестнике Банка России" и размещению на официальном сайте Банка России в информационно-телекоммуникационной сети "Интернет".

Первый заместитель
Председателя Банка России **С.А. Швецов**

# The TCFD recommendations

3

# TCFD recommendations

*To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities.*

- Voluntary
- Report climate-related **financial** disclosures in the **annual financial filings** (mainstream report)
- Financial sector & high risk non-financial sectors
- Transition risks & physical risks (and opportunities)
- Scenario analysis & forward-looking information
- Short-term, medium-term & long-term
- Qualitative & quantitative disclosures

# Who should disclose?

*"the Task Force recommends* ***all organizations with public debt or equity*** *implement its recommendations. Because climate-related issues are relevant for other types of organizations as well, the Task Force encourages* ***all organizations*** *to implement these recommendations"*

TCFD, Final Recommendations

Supplemental guidance developed for selected groups

**Financial sector group**

Banks
Insurers
Asset Owners
Asset Managers

**Non-financial sector group**

Energy
Transportation
Materials and Buildings
Agriculture, Food and Forest Products

# Where should you disclose?

- Disclosure should be provided in the **mainstream report**, also referred to as the annual report, registration document, 10-K.
- Intention was **not for separate TCFD statements** or additional sustainability reporting.
- Integrated into reporting and **connected to financial information.**
- Subject to the same **governance processes** and sign off as the financial report
- Accessible to **investors** as primary users

*"The Task Force recognizes the challenges associated with measuring the impact of climate change, but believes that by moving climate-related issues into mainstream annual financial filings, practices and techniques will evolve more rapidly."*

TCFD, Final Recommendations

# TCFD Principles of disclosure

To underpin its recommendations and help guide current and future developments in climate-related financial reporting.

1. Present **relevant** information,
2. Be **specific** and **complete**,
3. Be clear, **balanced**, and **understandable**,
4. Be **consistent** over time,
5. Be **comparable** among organizations within a sector, industry, or portfolio,
6. Be reliable, **verifiable**, and objective
7. Be provided on a **timely** basis.

# **Q4:** The TCFD recommended that disclosures should be made within a **standalone** climate risk report

- ❑ True
- ❑ False

# Governance

## The TCFD recommends the following disclosures for all organizations:

A) Describe the board’s oversight of climate-related risks and opportunities

B) Describe management’s role in assessing and managing risks and opportunities.

# Strategy

## The TCFD recommends the following disclosures for all organizations, **subject to a materiality assessment:**

A) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

B) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.

C) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

# Risk management

## The TCFD recommends the following disclosures for all organizations:

A) Describe the organization’s processes for identifying and assessing climate-related risks.

B) Describe the organization’s processes for managing climate-related risks.

C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.

# Metrics and targets

## The TCFD recommends the following disclosures for all organizations, **subject to a materiality assessment:**

A) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

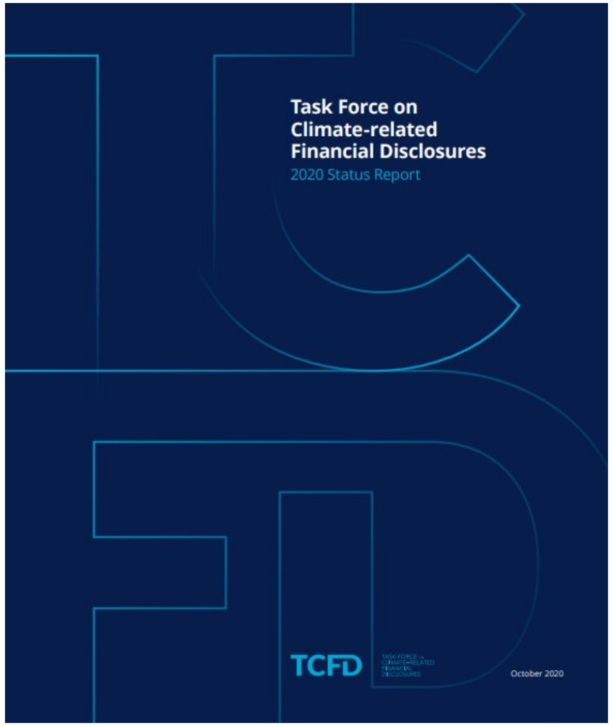
B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

C) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

# The current status of TCFD adoption

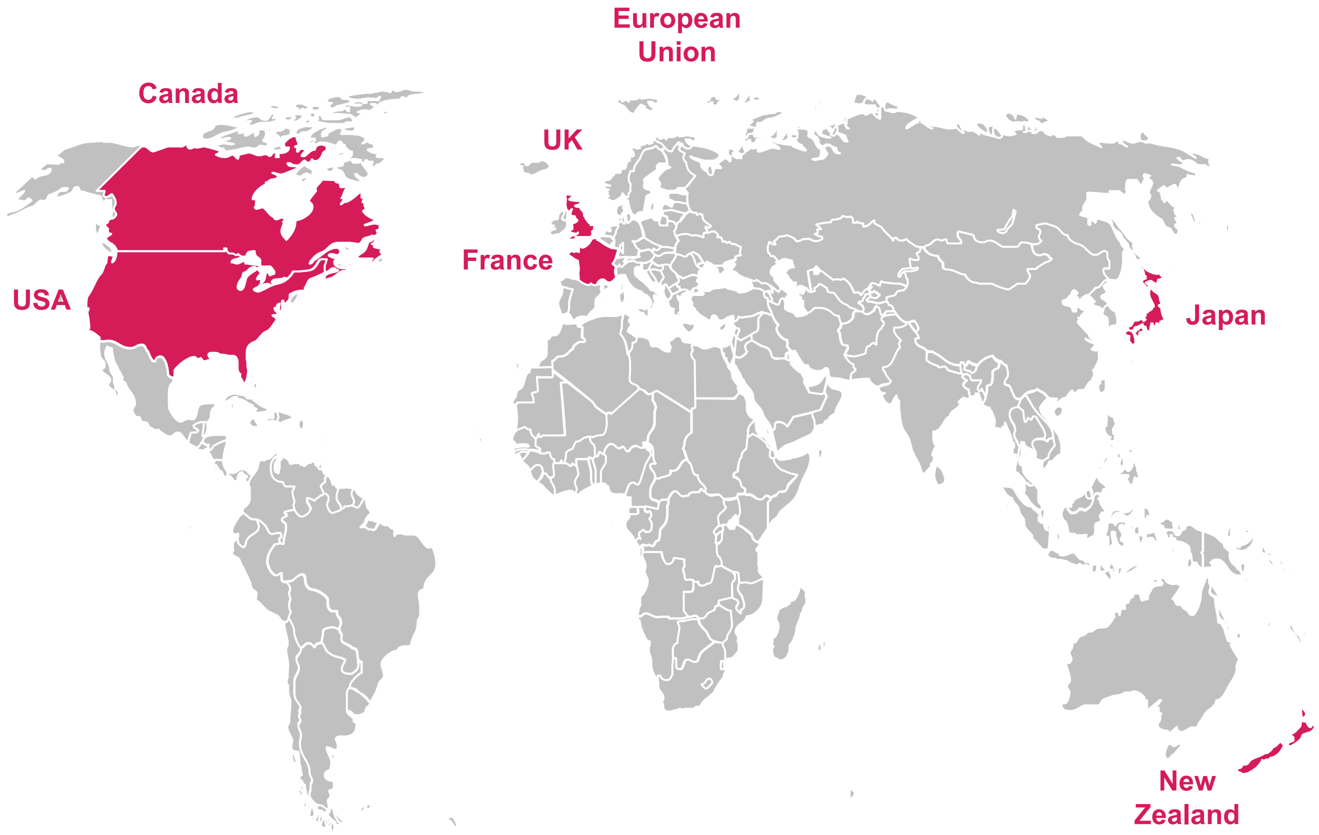
## As of September 2021, **2300+** companies, investors, governments & regulators publicly support the TCFD recommendations in **88** countries

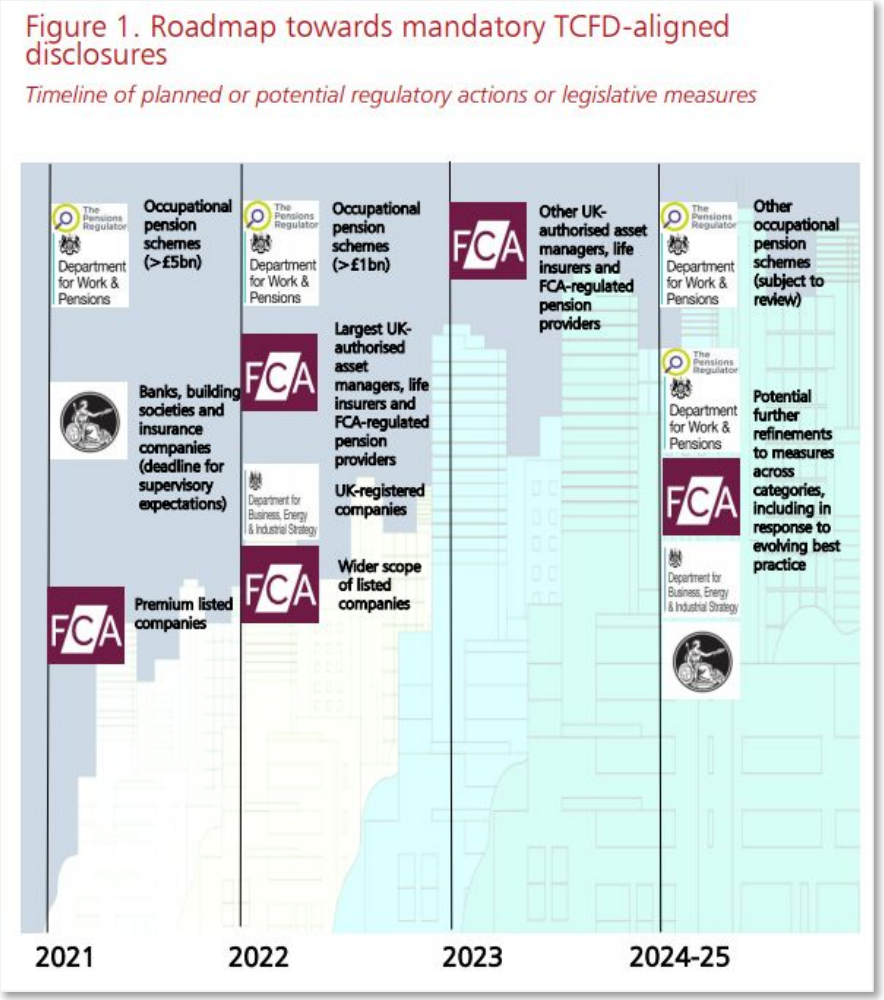
- Disclosure of climate-related information has increased since the release of the recommendations, but **more progress is needed**.
- Limited disclosure on **resilience of strategy under different climate scenarios**.
- Disclosures **primarily made in sustainability reports**.
- Large and high impact companies are most likely to disclose.
- **European companies** provided the **highest percentage** of TCFD-aligned disclosures across 10 of the 11 recommended disclosures.




Source: TCFD Status Report 2020

# Moving to mandatory TCFD adoption




Source: HM Treasury

# **Q5:** What are the recommended disclosures under the strategy core element? *Select all that are correct*

- ❑ Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- ❑ Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
- ❑ Describe how the organization is minimising its impact on the environment through reducing emissions and energy usage.
- ❑ Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

# 5 minute break

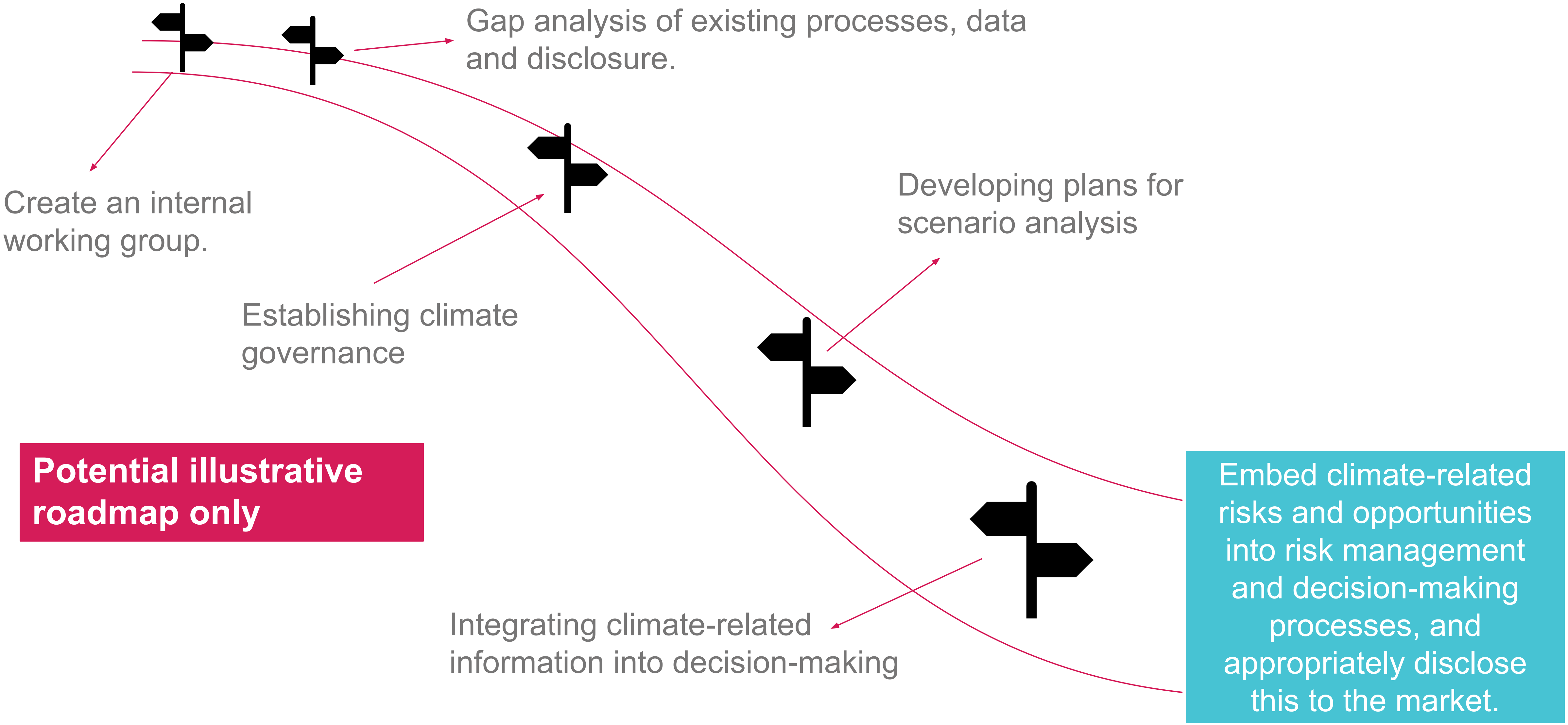
Please return to the session promptly!

# Practical steps for implementation

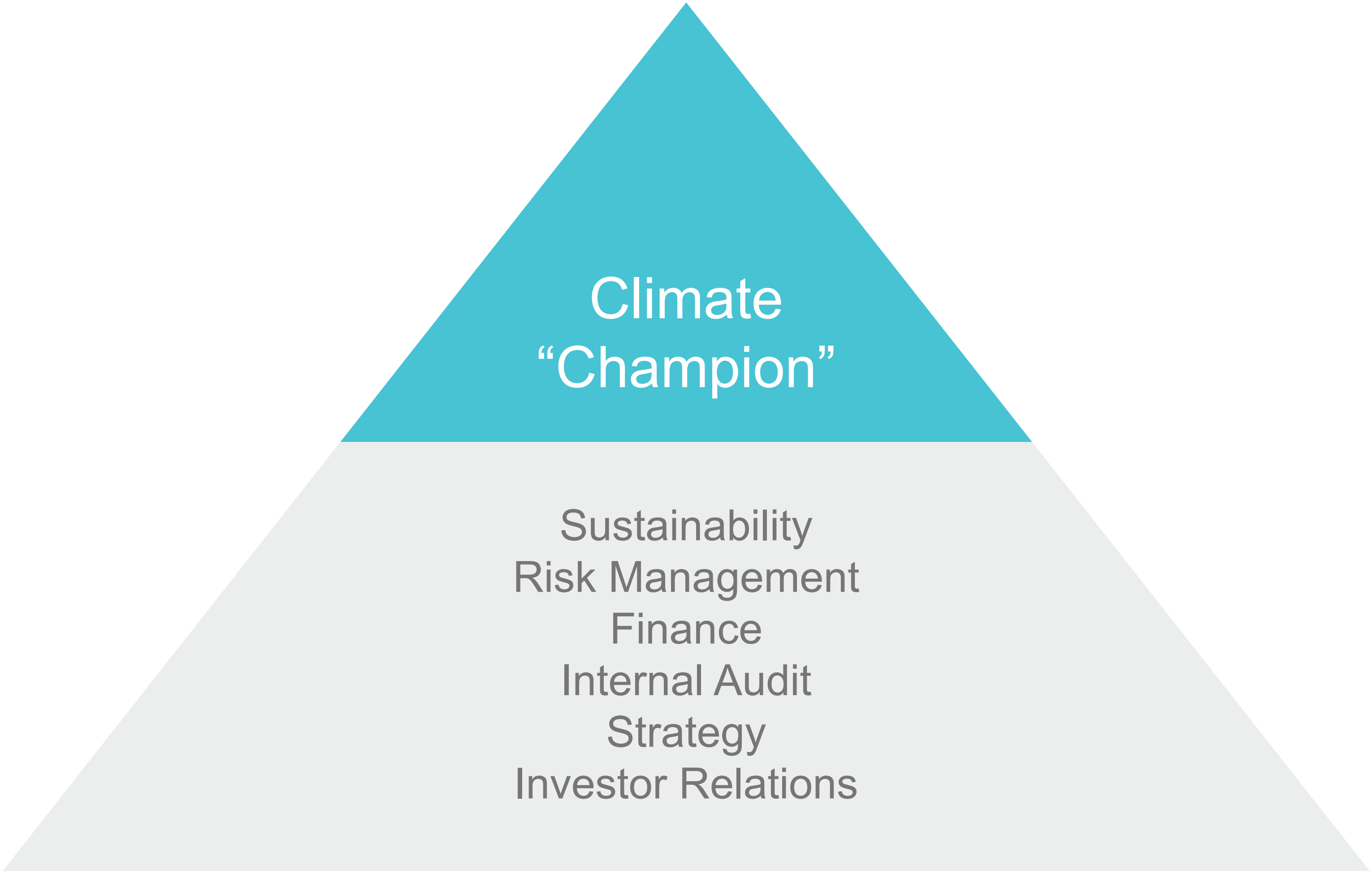
# Top tips for getting started with disclosure

- Build on existing processes
- Connected information
- Cross referencing
- Clear, concise and proportional
- Balanced
- Clearly define time horizons
- Start with qualitative reporting

# Creating a roadmap for disclosure



# Creating a “TCFD Team”



# Leveraging existing work

- What climate-related data are you already capturing?
- What are you already disclosing?
- What structures/processes are already in place?

## Existing climate-related standards and frameworks focused on enterprise value creation

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CDP DRIVING SUSTAINABLE ECONOMIES

CDSB Climate Disclosure Standards Board

VALUE REPORTING FOUNDATION

IR

SASB SUSTAINABILITY ACCOUNTING STANDARDS BOARD

# Using CDP & CDSB together

- Reporting information in the mainstream need not be seen as daunting or novel.
- Emphasis is on what is material for enterprise value
- Those disclosing to CDP via the climate change questionnaire are already gathering much of the right data.
- CDSB Framework can act as a tool to support integration of CDP data into the mainstream report, to deliver TCFD-aligned disclosure.


Source: CDSB & CDP, The Building Blocks

# What should we report first?

## Phase 1: Foundation for TCFD Disclosures

The Task Force encourages companies to disclose information related to it Governance and Risk Management recommendations to provide investors and other with the context in which financial and operating results are achieved. The Task Force views such information as the foundation for effective climate-related financial disclosure.

**Governance**

- a Board's oversight of climate-related issues.
- b Management's role in assessing and managing climate-related issues.

**Risk Management**

- a Processes for identifying and assessing climate-related risks.
- b Processes for managing climate-related risks.
- c How these processes are integrated into overall risk management.

Source: TCFD Status Report 2020

# Enhancing disclosures

## Phase 2: Enhancements and Additions

A company interested in enhancing or expanding its climate-related financial disclosures may find expert users' views on the most useful disclosure elements useful in prioritizing its implementation efforts. Once the foundation is laid, a company could focus on the "top ten" disclosure elements, which expert users, on average, rate as extremely useful.

### Metrics and Targets

- a — Key metrics used to measure and management climate-related issues for past three+ years.
- b — Scope 1 and 2 GHG emissions for past three+ years.
- c — Climate-related targets related to GHG emissions, associated timeframes, and base year.
- c — Key performance indicators used to assess progress against climate-related targets.

### Governance

- a — How the board considers climate-related issues in reviewing major capital expenditures, acquisitions, and divestitures.

### Strategy

- a — Material climate-related issues by sector and geography.
- b — How these issues have affected business and strategy.

Source: TCFD Status Report 2020

# Disclosure on resilience

## Phase 3: Enhancements and Additions of Strategy Resilience

Once a company discloses information aligned with the TCFD's four recommendations and has had time to explore the use of climate-related scenario analysis, it may be ready to disclose the resilience of its strategy under different climate-related scenarios and make further enhancements to existing areas of disclosure.

### Metrics and Targets

- a — How climate-related performance metrics are incorporated into remuneration policies.
- b — Scope 3 GHG emissions for past three+ years.
- c — Identification of climate-related targets as absolute or intensity based.
- c — Methodologies used to calculate or estimate climate-related targets.

### Governance

- a — How the board considers climate-related issues when reviewing and guiding strategy.

### Strategy

- a — Timeframes (short, medium, or long term) associated with material climate-related issues.
- b — How material climate-related issues have affected financial planning.
- b — How climate-related scenarios inform strategy/financial planning.
- c — Resilience of strategy to climate-related issues, including an indication of direction or range of potential financial implications.

### Risk Management

- a — Whether company considers existing and emerging regulatory requirements related to climate change.

Source: TCFD Status Report 2020

# **Q6:** What key action will you take next to progress climate disclosure in your organisation?

- ❑ Establish a “TCFD team” internally
- ❑ Conduct a gap analysis of existing reporting
- ❑ Develop a roadmap for TCFD adoption
- ❑ Establish internal climate governance
- ❑ Not sure, ask me next week!

# Reflection exercise

# Reflection exercise

- **Review your own company's current disclosure practices** and determine what phase of the three phases of the TCFD's phased plan you believe your company is currently at.
- Consider what **gaps exist** in the current climate-related disclosures of your company, and what steps should be taken internally to improve disclosures.
- **Drop in the chat what practical challenges** you may have to overcome in order to implement these first steps.
- You will have **10 minutes** to think about this and submit some comments in the chat, at which point we will begin discussing the challenges and how they could be overcome.

**Phase 1: Foundation for TCFD Disclosures**

Governance

Risk Management

**Phase 2: Enhancements and Additions**

Strategy

Metrics and Targets

**Phase 3: Further enhancements and Additions of Strategy Resilience**

Strategy: using scenario analysis to assess resilience

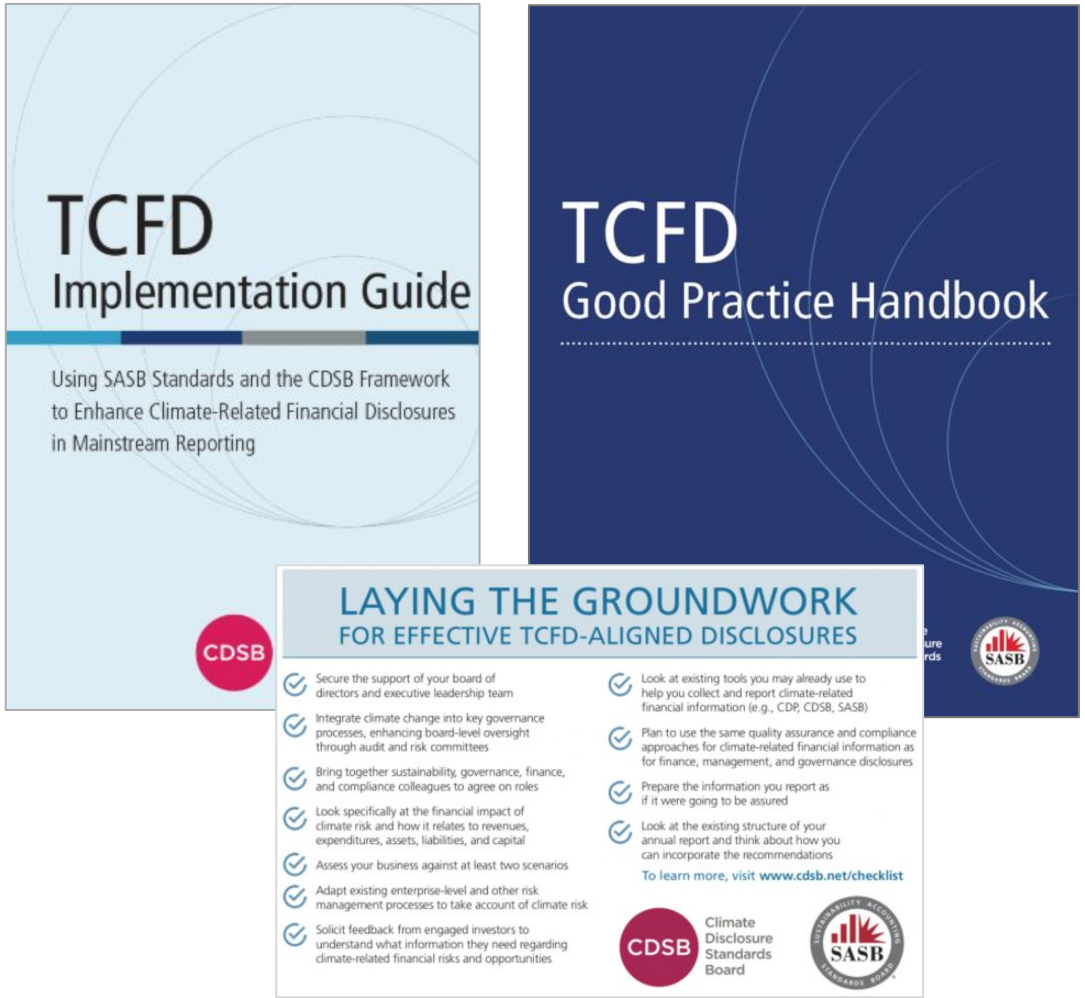
Governance | Risk Management | Metrics and Targets

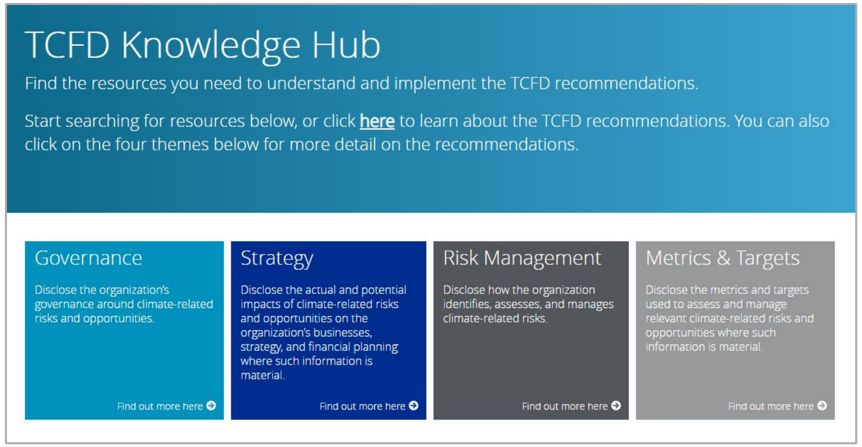
# Reflection feedback

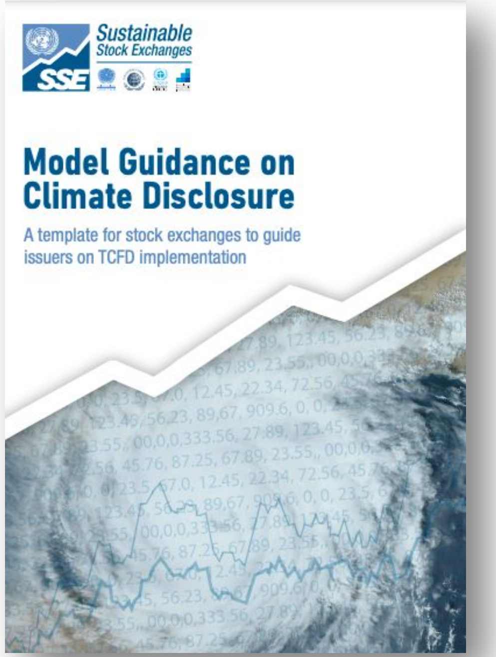
# Support & resources available

# TCFD resources

All resources are available at tcfdhub.org



# IFC Disclosure and Transparency Program

## Building ESG Disclosure & Transparency Standards in Emerging Markets

HOLISTIC APPROACH

BEYOND THE BALANCE SHEET

EXPLORE ∨ LEARN ∨ CREATE ∨ ASSESS ∨ CONNECT WITH US

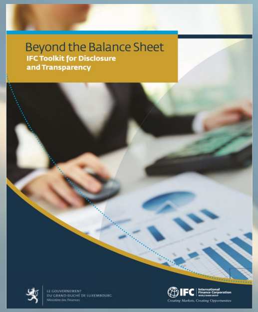
**Enhancing Disclosure, Transparency & Communication**

*IFC's "Beyond the Balance Sheet" toolkit and platform offers an ecosystem of resources and reporting tools to help emerging market organizations on their journey toward a more open and transparent communication of material environmental, social and governance (ESG) factors.*

### D&T FRAMEWORK

Helps disclose material aspects of:

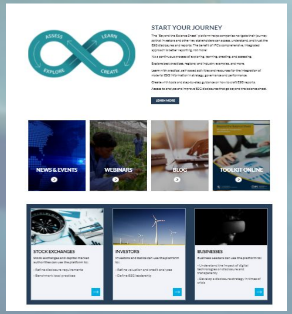
- Strategy & sustainability
- Corporate governance
- Financial & non-financial performance
- Streamlined all reporting frameworks




### ONLINE PLATFORM

Facilitates continuous process:

- Exploring global, local, industry resources
- Self-paced learning modules, blended with webinars
- Creating via report generator and community of practice
- Assessing via annual report self-assessment tool




### CAPITAL MARKETS

- Policy support to stock exchanges and regulators, developing 145 codes, laws, 30 scorecards and 10 ESG reporting guidelines
- Strategic partnership with UN SSE

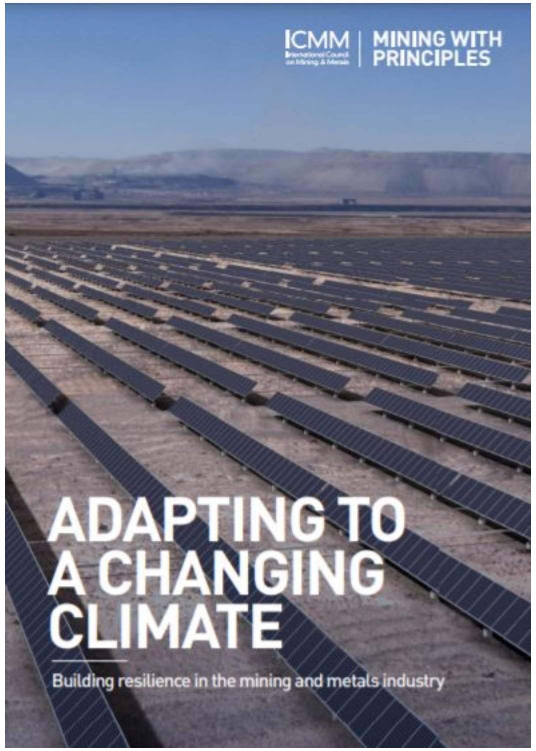
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SSE Sustainable Stock Exchanges Initiative

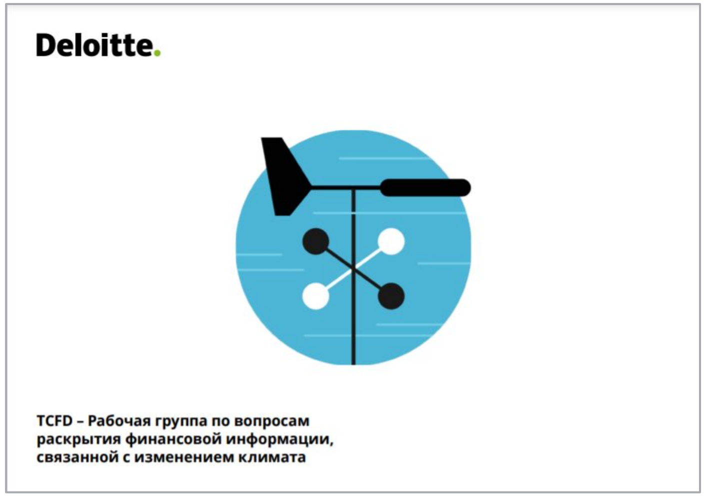
START YOUR JOURNEY

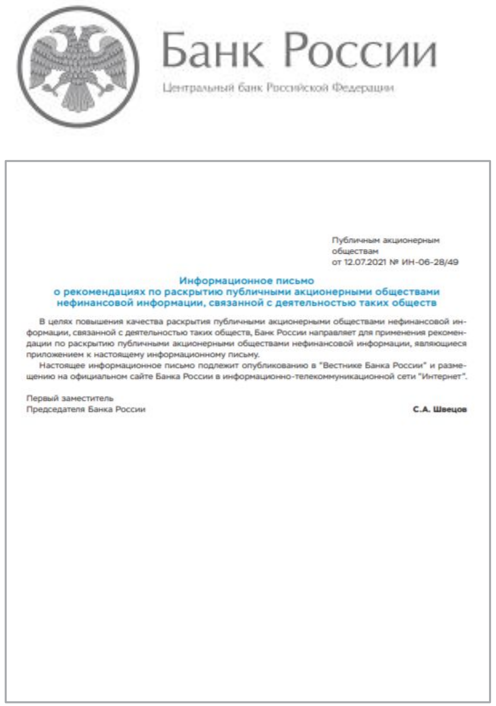
WWW.IFC.ORG/SUSTAINABILITY

# Market and sector-specific resources





Банк России
Центральный банк Российской Федерации

Публичным акционерным обществам
от 12.07.2021 № ИН-06-28/49

**Информационное письмо о рекомендациях по раскрытию публичными акционерными обществами нефинансовой информации, связанной с деятельностью таких обществ**

В целях повышения качества раскрытия публичными акционерными обществами нефинансовой информации, связанной с деятельностью таких обществ, Банк России направляет для применения рекомендации по раскрытию публичными акционерными обществами нефинансовой информации, являющиеся приложением к настоящему информационному письму.

Настоящее информационное письмо подлежит опубликованию в "Вестнике Банка России" и размещению на официальном сайте Банка России в информационно-телекоммуникационной сети "Интернет".

Первый заместитель
Председателя Банка России

**С.А. Швецов**

# Questions & comments

**Please raise your hand and you will be unmuted when called upon, or use the chat function**

# The TCFD Training Programme

**Thursday 23 September**
**9.00-11.00 MSK**

## TCFD 102

***Live workshop: Building experience in climate-related financial reporting***

***By the end of the TCFD 102 workshop, participants should:***

1. Build a **detailed understanding** of the TCFD recommended disclosures and how to achieve **practical implementation**.
2. Understand what **good practice** looks like, through **case studies** and peer-to-peer review.
3. Identify the **internal processes** necessary to support climate risk & opportunity reporting, and how to overcome **common implementation challenges.**

# Thank you for your participation!

- A short **feedback survey** will be shared in the chat and also issued to all attendees in follow up via email – please share your thoughts to help us continue to improve the training.
- Attendees of today's session will receive a **completion certificate** via the email address they registered for the session within the next week.
- This course is **CPD certified**, which means participants may be able to count their participation towards continuing professional development requirements for professional body memberships (e.g. Chartered Accountants, Auditors, etc.).

CPD CERTIFIED
The CPD Certification Service

# Contacts

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## Thank you to MOEX for coordinating this training event